OVERVIEW

Upon the Listing, each of Mr. Sato, Rich-O, and each of the Sato Family Members will be a Controlling Shareholder pursuant to the Listing Rules. The following table sets forth information regarding the ownership of the Shares immediately following the completion of the Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-Allotment Option):

	Number of Shares owned	Approximate percentage of voting rights
Mr. Sato	162,522,560	21.9%
Rich-O	95,810,000	12.9%
The Sato Family Members	248,336,560	33.4%
One Asia	80,000,000	10.7%
Other Shareholders (1)	156,181,240	21.1%
Total	742,850,360	100%

(1) Other Shareholders comprise the Institutional Shareholders, the Director Shareholders, the Employee Shareholders and public Shareholders, each being an independent third party to our Controlling Shareholders.

Our Controlling Shareholders

Mr. Sato is our executive Director, chairman of our Board and Chief Executive Officer. Through his controlling interest of approximately 99.9% in Rich-O, Mr. Sato will control approximately 34.8% of our entire issued share capital upon the completion of the Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-Allotment Option). The Sato Family Members consist of Mrs. Keiko SATO, Mr. Kohei SATO, Mrs. Yaeko NISHIWAKI, Mr. Masahiro SATO, Mr. Shigehiro SATO and Mr. Kiyotaka SATO, each being a family member of, and an associate of, Mr. Sato and each other under the Listing Rules.

Hence, Mr. Sato, Rich-O, and the Sato Family Members will together be entitled to exercise and control approximately 68.2% of our entire issued share capital upon the Listing (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-Allotment Option), representing over 30% of the voting rights at the Shareholders' meetings of our Company.

One Asia

Immediately following the completion of the Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-Allotment Option), One Asia will be interested in approximately 10.7% of our entire issued share capital and will be a substantial Shareholder of our Company. The Shares that One Asia is interested in were donated by Mr. Sato but, as confirmed by our Japan Legal Adviser, such donation does not automatically confer him any influence over the management and operation of One Asia.

One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) established under the GIA/GIF Law on 21 December 2009 to promote harmony and cooperation among Asian communities. To this end, One Asia provides funding to universities and research bodies that engage in Asian studies, supports non-profit organisations in raising cultural awareness, and awards scholarships to Asian students.

One Asia is interested in the Shares in our Company for equity holding purposes. Such equity interests are an important ancillary function for One Asia that forms its main source of income and provides reliable liquidity in achieving its primary objectives.

Under the GIA/GIF Law, a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) is a non-profit organisation to which the concept of shareholding does not apply. Instead, the primary decision-making body of a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) is the board of councillors. Out of six members in One Asia's board of councillors, two are connected persons to our Controlling Shareholders, namely, Mr. Kohei SATO, the brother of Mr. Sato and a Sato Family Member, and Mr. Ushijima, our non-executive Director. All other members in the board of councillors are independent third parties to our Controlling Shareholders, representing a majority in the board of councillors.

Mr. Sato is the chairman (*rijicho* 理事長) of One Asia, primarily responsible for its day-to-day management. However, under the GIF Law, Mr. Sato's acts in One Asia are subject to the oversight and supervision of the board of councillors, which is primarily responsible for the appointment of the chairman (*rijicho* 理事長). As Mr. Sato has no control over One Asia's board of councillors, the majority of which is represented by independent third parties to Mr. Sato, he has no discretion over the decision-making process of One Asia.

On the basis that Mr. Sato, Rich-O and the Sato Family Members have no control over One Asia's general decision-making process and therefore have no influence in the exercise of its voting rights in our Company. One Asia, though being a substantial Shareholder, is not a Controlling Shareholder of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operations retained by our Controlling Shareholders

The principal business venture of Mr. Sato and the Sato Family Members is our Group. Rich-O is an investment holding company and the principal business asset of which is its shareholding in our Group. Other than their respective interests in our Group, the only other material business venture of our Controlling Shareholders is DYH. DYH is the predecessor of our Company and the former holding company of our operating subsidiaries. As at the Latest Practicable Date, DYH was owned as to approximately 26.8%, 15.8%, and 40.9%, respectively, by Mr. Sato, Rich-O and the Sato Family Members in aggregate.

Our Company was incorporated under the Companies Act on 20 September 2011 by DYH as part of our Reorganisation, the procedures of which are set out in the section headed "History, Development and Reorganisation" in this Prospectus. As a result of the Reorganisation, the pachinko hall operations of our Controlling Shareholders were consolidated into our Company. Certain companies and businesses (the "Retained Businesses") held by our Controlling Shareholders through DYH were excluded from the Reorganisation and were not consolidated into our Group. These Retained Businesses formed the Remaining DYH Group. By virtue of their controlling interests in DYH, the Remaining DYH Group is an associate of each of our Controlling Shareholders.

Following the Reorganisation, all companies and businesses of our Controlling Shareholders related to, or incidental to, the operation of pachinko halls in Japan were transferred to our Company, and our Controlling Shareholders will be engaged in the Retained Businesses, which are separate and distinct from our pachinko hall operations business. None of the members of the Remaining DYH Group is engaged in our primary business of operating pachinko halls. Our Controlling Shareholders currently have no intention to inject the Retained Businesses into our Group. Summarised below are the details of the Retained Businesses:

Entity	Ownership	Retained Businesses
Humap	wholly-owned by DYH [1]	• operation and management of food and beverage retail outlets next to our pachinko halls • operation and management of spaghetti restaurants • provision of cleaning services at our pachinko halls • sales of coffee, pastry and tobacco products to our Group as general prizes • sales of coffee via vending machines and coffee wagons at our pachinko halls • provision of accounting and payroll administrative services to the members of the Remaining DYH Group
Trusty Power	wholly-owned by DYH [1]	• provision of human resources recruitment, employee training and job placement services to the members of the Remaining DYH Group
Dynam Investment	wholly-owned by DYH [1]	• investment holding of Beijing GEO, Erin International, and Rich-O Korea • sales of coffee beans roasted and supplied by Beijing GEO to ITP customers • sales of LCD monitors supplied by Rich-O Korea to ITP customers • operations and management of hot-stone sauna parlour within the site of our pachinko hall at Sagamihara (相模原市), Kanagawa Prefecture (神奈川県)
Beijing GEO	indirectly wholly owned by DYH through Dynam Investment [1]	• roasting and sales of coffee beans to our Group and ITP customers
Erin International .	indirectly owned as to 87.5% by DYH through Dynam Investment [1, 2]	• provision of freight forwarding services to ITP customers
Rich-O Korea . . .	indirectly owned as to approximately 85.2% by DYH through Dynam Investment [1, 3]	• trading of LCD monitors to ITP customers
P Leasing	wholly-owned by DYH [1]	• provision of instalment sales services of new pachinko and pachislot game machines to ITP customers

Entity	Ownership	Retained Businesses
P Insurance	wholly-owned by DYH (1)	• provision of insurance services to ITP customers
Business Partners	wholly-owned by DYH (1)	• provision of cleaning services at our office premises
Genghis Khan . . .	wholly-owned by DYH (1)	• provision of travel services to our Group and ITP customers • handling agent for MIAT Mongolian Airlines in Japan • provision of Japanese to Mongolian translation services and vice versa
X-Golf	wholly-owned by DYH (1)	• sales of virtual golfing machines and software • operation of a virtual golfing amusement centre

(1) As at the Latest Practicable Date, DYH was owned as to approximately 26.8%, 15.8% and 40.9% by Mr. Sato, Rich-O and the Sato Family Members in aggregate, respectively (without taking into account any outstanding treasury DYH Shares).

(2) As at the Latest Practicable Date, Erin International was owned as to 87.5% and 12.5%, respectively, by Dynam Investment and Mr. Y. Erkeinbayar, Mr. D. Tserennadmid and Mr. D. Derin in aggregate, each being an Independent Third Party.

(3) As at the Latest Practicable Date, Rich-O Korea was owned as to approximately 85.2%, 7.4% and 7.4% by Dynam Investment, Sodiff B&F Co., Ltd.* (ソディフB&F社) and Mr. Gwang-Hwan KIM (金光煥), respectively. Each of Sodiff B&F Co., Ltd. (ソディフB&F社) and Mr. Gwang-Hwan KIM (金光煥) is an Independent Third Party.

No competition and clear delineation of business

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge, belief and information, as at the Latest Practicable Date, none of our Controlling Shareholders and none of their respective associates had interests in businesses, other than our business, which compete, or are likely to compete, either directly or indirectly, with our business.

Our business

We are the second largest pachinko hall operator in Japan based on the total value of pachinko balls and pachislot tokens rented in 2010 and the largest in terms of number of halls according to Yano Research. By contrast with the Retained Businesses carried out by the Remaining DYH Group, we are principally engaged in the operation of a network of 355 pachinko halls in 46 prefectures across Japan as at the Latest Practicable Date principally under our *DYNAM* (ダイナム), *Yuttari Kan* (ゆったり館) and *Shinrai no Mori* (信頼の森) brands.

Our Directors, including our independent non-executive Directors, are of the view that the Retained Businesses are separate and distinct from our business and that there is a clear separation of our business and the Retained Businesses carried out by the Remaining DYH Group. In particular, one of the objectives of our Reorganisation was to establish clear delineation between the businesses carried out by our Group and the Remaining DYH Group via separate and distinct corporate entities. Hence, following the completion of our Reorganisation, we do not carry out any activities that involve the ownership, management and operation of the Retained Businesses. On the basis that there is clear delineation between our business and the Retained Businesses, our Directors believe that our business will continue to be independent as there is no actual or potential competition, either directly or indirectly, exists between our Group and the Remaining DYH Group.

Our business differs from the Retained Businesses in the following key aspects:

Humap

Upon the completion of the Reorganisation, Humap is principally engaged in three business segments, namely (i) operation and management of food and beverage retail outlets; (ii) provision of cleaning services at our pachinko halls and (iii) provision of accounting and payroll administrative services. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of Humap was approximately ¥8,126 million, ¥7,529 million and ¥7,601 million (equivalent to approximately HK$714 million), respectively, and its net profits approximately were ¥242 million, ¥160 million, ¥204 million (equivalent to approximately HK$19 million), respectively, for the same periods, according to the information provided by our Controlling Shareholders and determined with reference to JGAAP. According to the information provided by our Controlling Shareholders, the revenue of Humap generated from our Group in aggregate for each of the years ended 31 March 2009, 2010 and 2011 as compared with the total revenue of Humap during the same periods was approximately 64.4%, 66.9%, and 64.7%, respectively.

The food and beverage retail outlets operated by Humap are principally located next to the sites of our pachinko halls, targeted at our customers. Although Humap operates 325 food and beverages retail outlets on premises leased from our Group, its food and beverage operation is separate and distinct from our business as such lease arrangements are conducted in the ordinary course of our business on normal commercial terms. Apart from these food and beverage retail outlets, Humap also operates a chain of spaghetti restaurants under the brand *Old Spaghetti Factory*, which is operated through franchise agreements with Independent Third Parties. These restaurants are located in Kobe (神戶市) and Nagoya (名古屋市), distinct from our pachinko hall operations and targeted at general customers with no particular focus on our pachinko customers.

During the Track Record Period, we also purchased from Humap coffee, pastry and tobacco products as general prizes for our halls. Humap also conducted sales of coffee via vending machines and coffee wagon services at our pachinko halls under royalty arrangements with Dynam.

The cleaning services of Humap were only offered to our Group during the Track Record Period. These cleaning services arrangements are conducted in the ordinary course of our business on normal commercial terms. In respect of cleaning services, our Group is the only customer of Humap during the Track Record Period. According to information provided by our Controlling Shareholders, Humap has, prior to the Track Record Period, provided cleaning services to Independent Third Parties and is expected to secure new customers upon the Listing.

Our Directors confirm that our Group does not, and does not intend to, engage in the operation of food and beverage retail outlets, sales of coffee and pastry products and provision of cleaning services. Upon Listing, we expect to continue to engage Humap in offering food and beverage services to our customers and in the provision of cleaning services at our pachinko halls.

The accounting and payroll administrative services of Humap are only provided to members of the Remaining DYH Group. Similarly, we operate an in-house accounting department, the services of which are confined to members of our Group. As both our Group and Humap do not, and have no plans to, provide accounting and payroll administrative services to customers other than our Group and the Remaining DYH Group, there is no overlap of service targets, and therefore no competition, between our Group and Humap.

On the basis that (i) our Group does not engage in the operation of food and beverage retail outlets and the provision of cleaning services and (ii) the accounting and payroll administrative services provided by our Group and Humap have separate service targets, our Directors believe that no actual or potential competition, either directly or indirectly, exists between our Group and Humap.

See "Connected Transactions" in this Prospectus for further details of our business arrangements with Humap.

Trusty Power

Upon the completion of the Reorganisation, Trusty Power is principally engaged in the provision of human resources recruitment, employee training and job placement services. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of Trusty Power was approximately ¥877 million, ¥791 million and ¥542 million (equivalent to approximately HK$51 million), respectively, and its net profits were approximately ¥41 million, ¥39 million and ¥25 million (equivalent to approximately HK$2 million), respectively, for the same periods, based on the information provided by our Controlling Shareholders and determined with reference to JGAAP.

Prior to our Reorganisation, Trusty Power provided services to all members of the DYH Group, which include members of our Group. As part of our Reorganisation, the Relevant Trusty Power Secondees, which had been dedicated to serving members of our Group, were transferred to Dynam, our wholly-owned subsidiary. As a result, Trusty Power ceased to provide services to our Group. Although both Dynam and Trusty Power are engaged in the provision of human resources recruitment, employee training and job placement services, such services are offered to the respective members of our Group and the Remaining DYH Group only. On the basis that there is no overlap in the service targets of Dynam and Trusty Power, we do not compete, and are not likely to compete, either directly or indirectly, with Trusty Power.

Dynam Investment

Upon the completion of the Reorganisation, Dynam Investment is principally engaged in four business segments, namely (i) the investment holding of Beijing GEO, Erin International, and Rich-O Korea; (ii) sales of coffee beans roasted and supplied by Beijing GEO; (iii) sales of LCD monitors supplied by Rich-O Korea and (iv) operations and management of a hot-stone sauna parlour. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of Dynam Investment was approximately ¥285 million, ¥387 million and ¥446 million (equivalent to approximately HK$42 million), respectively, and its net profits were approximately ¥23 million, ¥50 million and ¥95 million (equivalent to approximately HK$9 million), respectively, for the same periods, based on the information provided by our Controlling Shareholders and determined with reference to JGAAP.

Each of Beijing GEO, Erin International and Rich-O Korea operates separate and distinct businesses from our business. See "— Beijing GEO", "— Erin International" and "— Rich-O Korea" in this section below for the clear delineation between our business and the businesses of these companies. The coffee beans and LCD monitors sold by Dynam Investment are supplied by Beijing GEO and Rich-O Korea, respectively.

Dynam Investment operates a hot-stone sauna parlour at the site of one of our pachinko halls located in Sagamihara (相模原市), Kanagawa Prefecture (神奈川県). Although this leisure facility is operated on premises leased from our Group, this arrangement is conducted in the ordinary course of our business and on normal commercial terms. Our Directors confirm that our Group does not, and does not intend to, engage in the business of operating hot-stone saunas upon the Listing. We will continue to engage Dynam Investment in operating sauna facilities at our pachinko hall in Sagamihara (相模原市). In the event that we decide to provide additional leisure facilities to enhance the gaming experience of our pachinko players, we will solicit Dynam Investment or other Independent Third Party service providers.

On the basis that we do not provide any services similar to, or competing with, the hot-stone sauna parlour operated by Dynam Investment, our Directors are of the view that it is highly unlikely that there is or will be any actual or potential competition between Dynam Investment and our Group.

See "Connected Transactions" in this Prospectus for further information on the business arrangements between Dynam Investment and our Group.

Beijing GEO

Upon the completion of the Reorganisation, Beijing GEO is principally engaged in the roasting and sales of coffee beans. For each of the three financial years ended 31 December 2009, 2010 and 2011, the turnover of Beijing GEO was approximately RMB5 million, RMB10 million and RMB14 million, respectively, and its net loss were approximately RMB3 million, RMB3 million and RMB1 million, respectively, for the same periods, based on the information provided by our Controlling Shareholders and determined with reference to JGAAP.

The customers of Beijing GEO comprise of beverage manufacturers, suppliers and beverage retail outlets in the PRC, all of which are Independent Third Parties. Beijing GEO has an established operation targeted at Independent Third Party customers.

We do not expect to engage in the business of coffee bean roasting upon the Listing. On the basis that Beijing GEO has a separate and distinct business operation that bears no similarity to our business, our Directors are of the view that Beijing GEO does not compete, and is not likely to compete, either directly or indirectly, with our Group.

Erin International

Upon the completion of the Reorganisation, Erin International carries on an operation of international freight forwarding services. For each of the three financial years ended 31 December 2009, 2010 and 2011, the turnover of Erin International was approximately MNT1,359 million, MNT2,445 million and MNT5,456 million, respectively, its net loss for the year ended 31 December 2009 were approximately MNT56 million, and its net profits for each of the financial years ended 31 December 2010 and 2011 were approximately MNT80 million and MNT72 million, respectively, based on the information provided by our Controlling Shareholders and determined with reference to JGAAP. Erin International provides freight forwarding services to Independent Third Party customers and has no business linkage with our Group. The principal business of Erin International has no relevance to the business of our Group, and therefore does not compete with our business.

Rich-O Korea

Upon the completion of the Reorganisation, Rich-O Korea is principally engaged in two business segments, namely, (i) the trading of LCD monitors; and (ii) provision of after-sales services in respect of LCD monitors. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of Rich-O Korea was approximately KRW1,613 million, KRW350 million and nil, respectively, its net profits for each of the years ended 31 March 2010 and 2011 were approximately KRW12 million and KRW8 million, respectively, and its net loss for the financial year ended 31 March 2012 were approximately KRW130 million, based on the information provided by our Controlling Shareholders and determined with reference to JGAAP.

Our Controlling Shareholders have confirmed that, during the Track Record Period, Rich-O Korea did not conduct any business activities with any third party other than our Group. Sales to our Group were made through Dynam Investment. According to our Controlling Shareholders, the sales of LCD monitors to our Group ceased in March 2011 due to changes in Rich-O Korea's business direction, as a result of which Rich-O Korea is now looking to expand its customer base in South Korea and the PRC. As at the Latest Practicable Date, there was no business arrangement between Rich-O Korea and our Group. We currently intend to engage an Independent Third Party LCD monitor manufacturer based in South Korea to provide after-sales services to our LCD monitors.

Although Rich-O Korea no longer supplies LCD monitors to us, we do not plan to engage in the trading of LCD monitors. In the event that we are presented with marketing and advertising needs that require additional LCD monitors, we will secure supplies from other Independent Third Party suppliers or traders.

On the basis that (i) we do not engage in businesses similar to, or in competition with, the sales of LCD monitors; and (ii) there is no business arrangement between our Group and Rich-O Korea upon the Listing, our Directors are of the view that no actual or potential competition, either directly or indirectly, exists between Rich-O Korea and our Group.

P Leasing

Upon the completion of the Reorganisation, P Leasing is principally engaged in the provision of instalment sales services of new pachinko and pachislot game machines. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of P Leasing was approximately ¥1.8 billion, ¥2.1 billion and ¥1.5 billion (equivalent to approximately HK$141 million), respectively, its net profits for the year ended 31 March 2010 were approximately ¥127 million, and its net loss for each of the years ended 31 March 2011 and 2012 was approximately ¥156 million and ¥114 million (equivalent to approximately HK$11 million), according to the information provided by our Controlling Shareholders and determined with reference to JGAAP.

Under its current business model, P Leasing purchases new pachinko and pachislot game machines selected by its customers, who in turn purchase such machines from P Leasing through instalment payments. Machines are purchased by P Leasing directly from manufacturers and the legal ownership of the machines rest with the customers commencing from the settlement of the last instalment payment. The business model of P Leasing has a limited degree of similarity with the business of Kanto Daido, our wholly-owned subsidiary, which primarily engages in the trading of second-hand pachinko and pachislot game machines.

Notwithstanding the limited correlation, our Directors are of the view that there is clear delineation between the businesses of P Leasing and Kanto Daido on the basis of the following grounds:

(i) **business model** — unlike P Leasing, which offers the option of instalment payments to all of its customers, Kanto Daido does not provide any credit facility and requires one-off settlement of payments;

(ii) **source of income** — P Leasing relies on the interest incurred from instalment payments for its income whereas Kanto Daido attributes its turnover to the difference between the purchase price and selling price of second-hand pachinko and pachislot machines;

(iii) **business segment** — P Leasing primarily focuses on the trading of new pachinko and pachislot game machines while Kanto Daido is principally engaged in the trading of second-hand, used pachinko and pachislot game machines. It is highly unlikely that P Leasing will expand its business into the second-hand market that Kanto Daido operates in as it does not possess the requisite license for the trading of second-hand machines in Japan; and

(iv) **significance** — our principal business is the operation of pachinko halls across Japan. The trading business of Kanto Daido is ancillary to our principal business and accounted for an insignificant portion of our total revenue during the Track Record Period. Hence, any actual or potential competition between P Leasing and Kanto Daido, though highly unlikely, would be immaterial to the overall operation and financial position of our Group.

On the basis of the clear delineation in the business models, business segments, and sources of income of P Leasing and Kanto Daido and the limited significance of Kanto Daido as compared to our principal business of pachinko halls operation, our Directors are of the view that P Leasing does not compete, and is not likely to compete, either directly or indirectly, with our business.

During the Track Record Period, P Leasing and Kanto Daido entered into certain related party transactions which involved P Leasing providing financing to Kanto Daido for the acquisition of second-hand game machines. Such transactions were one-off transactions entered into when Kanto Daido was a wholly-owned subsidiary of P Leasing, and are not expected to continue upon the Listing. Our Directors and our Controlling Shareholders confirmed that upon the Listing, P Leasing and Kanto Daido will maintain separate and distinct business models in the manner described above.

In addition, we restructured our machines sourcing functionality with the incorporation of P Trading on 1 July 2010. Our current business model involves Dynam purchasing pachinko and pachislot game machines directly from manufacturers and P Trading providing advisory and liaison services in connection therewith. As a result, P Leasing has not purchased pachinko and pachislot game machines for our Group since 1 July 2010.

P Insurance

Upon the completion of the Reorganisation, P Insurance is principally engaged in the provision of insurance services. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of P Insurance was approximately ¥104 million, ¥120 million and ¥102 million (equivalent to approximately HK$10 million), respectively; its net profits for each of the years ended 31 March 2010 and 2011 were approximately ¥8 million and ¥12 million, respectively, and its net loss for the financial year ended 31 March 2012 was approximately ¥14 million (equivalent to approximately HK$1 million), based on the information provided by our Controlling Shareholders and determined with reference to JGAAP. During the Track Record Period, P Insurance provided insurance services to Independent Third Parties only. We currently rely on insurance agencies other than P Insurance for insurance coverage, and we do not anticipate establishing any business relationship with P Insurance. The principal business of P Insurance has no relevance to, and therefore does not compete with, our business.

Business Partners

Upon the completion of the Reorganisation, Business Partners is principally engaged in the provision of cleaning services. Business Partners was incorporated on 11 January 2011. For the year ended 31 March 2012, the turnover of Business Partners was approximately ¥56 million (equivalent to approximately HK$5 million), and its net profit was approximately ¥0.5 million (equivalent to approximately HK$0.05 million), according to the information provided by our Controlling Shareholders and determined with reference to JGAAP.

Our Controlling Shareholders confirm that, as at the Latest Practicable Date, the operating revenue of Business Partners generated since its incorporation was all attributable to the provision of cleaning services at our office premises. Nevertheless, this arrangement is conducted in the ordinary course of our business and on normal commercial terms. In particular, Business Partners is a start-up company which has yet developed a diverse customer base. Our Controlling Shareholders expect to expand the scale of its operations in due course, targeting at Independent Third Party customers other than our Group.

Our Directors confirm that our Group does not, and does not intend to, engage in the provision of cleaning services. Upon the Listing, we will continue to engage Business Partners in providing cleaning services at our office premises.

On the basis that we do not engage in any activity that is similar to, or in competition with, the business of Business Partners, our Directors are of the view that we do not compete, and are not likely to compete, either directly or indirectly, with Business Partners.

See “Connected Transactions” for further information on the business arrangements between Business Partners and our Group.

Genghis Khan

Upon the completion of the Reorganisation, Genghis Khan is principally engaged in the provision of travel services. For each of the years ended 31 March 2010, 2011 and 2012, the turnover of Genghis Khan was ¥445 million, ¥415 million and ¥596 million (equivalent to approximately HK$56 million), respectively, and its net profits were ¥13 million, ¥17 million and ¥27 million (equivalent to approximately HK$3 million), respectively, for the same periods, based on the information provided by our Controlling Shareholders and determined with reference to JGAAP.

Genghis Khan has a scalable operation in Japan with a primary focus on the provision of travel services to and from Mongolia. It is the handling agent for MIAT Mongolian Airlines in Japan. During the Track Record Period, we have engaged Genghis Khan in providing travel services to our employees on business trips. Our Controlling Shareholders confirmed that, during the Track Record Period, our Group was not the sole customer of Genghis Khan and the revenue it generated from our Group compared to its revenue generated from third parties was insignificant.

Our Directors confirm that our Group does not, and does not intend to, engage in the provision of travel services. Upon the Listing, we will continue to engage Genghis Khan in providing travel services for our staff members with traveling needs. The principal business of Genghis Khan is completely different from the business of our Group, and therefore does not compete with our business.

X-Golf

Upon the completion of the Reorganisation, X-Golf is principally engaged in sales of virtual golfing machines and software and the operation of a virtual golfing amusement centre. X-Golf was incorporated on 1 June 2011. For the ten months up to 31 March 2012, the turnover of X-Golf was ¥4.7 million (equivalent to approximately HK$0.4 million), and its net loss was approximately ¥128 million (equivalent to approximately HK$12 million), according to the information provided by our Controlling Shareholders and determined with reference to JGAAP.

X-Golf operates a showroom for the sales of virtual golfing machines and software at premises leased from our Group. This showroom concurrently serves as a virtual golfing amusement centre. This leasing arrangement is conducted in the ordinary course of our business on normal commercial terms. Although the virtual golfing amusement centre operated by X-Golf is an entertainment and leisure option that may be in indirect competition with our pachinko halls, our Directors are of the view that the business of X-Golf differs from our business. Unlike our pachinko halls, which primarily focus on providing entertainment and gaming experience to the general public, X-Golf focuses on a specific group of customers who are golf enthusiasts within the city precinct of Tokyo. In addition, X-Golf currently operates one virtual golfing amusement centre in Tokyo, which is on a substantially smaller scale than our network of 355 pachinko halls across 46 prefectures in Japan as at 31 March 2012. Our Directors confirm that, upon the Listing, our operations will focus on the operation of pachinko halls and is not expected to expand into other entertainment options that are similar to, or in competition with, the business of X-Golf.

Based on the differences in terms of targeted customer bases, clear geographical segregation and the scale of business of our Group and X-Golf, our Directors consider that it is highly unlikely that there is or will be any material direct or indirect competition between our Group and X-Golf. See “Connected Transactions” for further information on the business arrangements between X-Golf and our Group.

Given the differences between our business and the Retained Businesses, our Directors are of the view that the Retained Businesses and our business have completely divergent business models which require different management expertise, skills and resources. Hence, our Directors are of the view that it is in the best interest of our Company to focus our resources on the development and growth of our core business of pachinko hall operations in Japan. Our Directors further confirm that, other than the Retained Businesses and our business, our Controlling Shareholders do not engage in, or otherwise have interests in, businesses which compete, or are likely to compete, either directly or indirectly, with our Company that should be brought to the attention of our Shareholders and the Stock Exchange.

Independence from our Controlling Shareholders

Our Directors are satisfied that our Group can function, operate and carry on business independently of our Controlling Shareholders based of the following reasons:

Independence of management and directorship

The following table presents the details of the Directors and senior management of our Group and their positions in the Remaining DYH Group and other associates of our Controlling Shareholders:

	Position(s) held in our Group	Position(s) held in the Remaining DYH Group	Position(s) held in other associates of our Controlling Shareholders
Mr. Sato	Executive Director; chairman of our Board; and Chief Executive Officer, *the Company* Representative director and president, *Shinrainomori* Representative director, *Shinrainomori Association*	None [(1)]	Chairman, *One Asia*
Mr. Ushijima	Non-executive Director, *the Company*	None	Councillor, *One Asia*
Mr. Horiba	Independent non-executive Director, *the Company*	None	None
Mr. Takano	Independent non-executive Director, *the Company*	None	None
Mr. Yoshida	Independent non-executive Director, *the Company*	None	None
Mr. Kato	Independent non-executive Director, *the Company*	None	None
Mr. Yip	Independent non-executive Director, *the Company*	None	None
Mr. Uno	Executive Officer, *the Company*	None	None
Mr. Okayasu	Executive Officer, *the Company*	None	None
Mr. Yonehata	Executive Officer, *the Company*	None	None
Mr. Katsuta	Executive Officer, *the Company*	None	None
Mr. Kohei SATO	Representative director and president, *Dynam* Director, *Shinrainomori Association*	None	Councillor, *One Asia*

	Position(s) held in our Group	Position(s) held in the Remaining DYH Group	Position(s) held in other associates of our Controlling Shareholders
Mr. Kanetaka SATOH	Representative director and president, *Okuwa Japan*	None	None
Mr. Kenichi ASAI	Representative director and president, *Dynam Data*	None	None
Mr. Masaaki HORIGUCHI .	Representative director and president, *Cabin Plaza*	None	None
Mr. Kuniyuki ISHIZUKA . . .	Representative director and president, *Daikokuten*	None	None
Mr. Mitsuyuki SEKI	Representative director and president, *Dynam Land*	None	None
Mr. Shigeru FUKUMA	Representative director and president, *Dynam Advertisement*	None	None
Mr. Toshio SOGA	Representative director and president, *P Trading*	None	None
Mr. Taro OKA	Representative director and president, *Kanto Daido*	None	None
Mr. Mori	Member of the management strategy committee, *the Company* Director, *Dynam*	None	None
Mr. Hiroshi MIWA	Member of the management strategy committee, *the Company* Director, *Dynam*	None	None
Mr. Mamoru SAITO.	Member of the management strategy committee, *the Company* Director, *Dynam*	None	None
Mr. Makoto SAKAMOTO . .	Member of the management strategy committee, *the Company* Director, *Dynam*	None	None

(1) Following the incorporation of our Company, Mr. Sato resigned as the chief executive officer, president and representative director of DYH and began to concentrate on the management and operation of our Group. Hence, Mr. Sato will have no role in DYH except as its controlling shareholder.

Save as disclosed above, none of our Directors or members of our senior management holds any position or has any roles or responsibility in the Remaining DYH Group or with our Controlling Shareholders or any associates of our Controlling Shareholders.

Our Board of Directors is comprised of one executive Director, one non-executive Director, and five independent non-executive Directors. Our senior management consists of 17 members. Based on the following, our Directors believe that our Directors and members of our senior management are able to manage our business independently of the Remaining DYH Group and other companies controlled by our Controlling Shareholders:

(i) the majority of the members of our Board are independent of the Controlling Shareholders. In particular, each of Mr. Ushijima, Mr. Horiba, Mr. Takano and Mr. Yoshida have resigned from all positions they held within the Remaining DYH Group after the incorporation of our Company and will dedicate sufficient time and effort in supervising the operation and management of our business;

(ii) Mr. Sato, our executive Director, chairman of our Board, and Chief Executive Officer, has resigned as the chief executive officer and representative director and president of DYH. Although Mr. Sato is a controlling shareholder of DYH, he will have no on-going executive or non-executive duties in the Remaining DYH Group. As a result, Mr. Sato is able to devote full-time capacity to take care of our Company's interests. He will be primarily responsible for the overall management of our Group both in terms of day-to-day and strategic sense;

(iii) Mr. Uno, Mr. Okayasu, Mr. Yonehata and Mr. Katsuta, our Executive Officers, will have no on-going role in the Remaining DYH Group and will have dedicated responsibilities within our Group. In particular, Mr. Okayasu resigned from his positions in DYH following the incorporation of our Company on 20 September 2011;

(iv) One Asia is a general incorporated foundation (*ippan zaidan houjin* 一般財団法人) established under the GIA/GIF Law. Mr. Sato, Mr. Ushijima and Mr. Kohei SATO are prohibited from deriving any profit or dividends out of their respective roles in One Asia, which will not result in any conflict of interests;

(v) with five independent non-executive Directors out of a total Board size of seven, which exceeds the best practices outlined in the Listing Rules, there will be a sufficiently robust and independent voice on the Board to counter-balance any situation of conflict of interest and protect the interests of our independent Shareholders;

(vi) all members of our senior management are full-time employees of our Group;

(vii) instances of actual or potential conflict have been identified (See "Connected Transactions"), and minimised (by virtue of the Deed of Non-Competition);

(viii) save for Mr. Sato and Mr. Kohei SATO, who have controlling interests in DYH, none of our Directors or members of our senior management will be interested in more than 1% in DYH or other associates of our Controlling Shareholders upon the Listing. Our Directors believe that such minimal shareholdings will not impair the independence of our Directors and members of our senior management;

(ix) each of our Directors is aware of his fiduciary duties as a Director of our Company, which require, among other things, that he act for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(x) connected transactions between our Company and the Remaining DYH Group and other companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval;

(xi) all of the businesses that are directly related to or incidental to the operation of pachinko halls in Japan held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganisation. Therefore, there is limited competition that would adversely affect management independence; and

(xii) a number of corporate governance measures are in place to adequately deal with any potential conflicts of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. See "— Corporate governance measures" in this section below.

Operational independence

Our Company makes business decisions independently. Our Company holds all relevant licenses necessary to carry out our business and has sufficient capital, equipment and employees to operate our business independently.

Based on the following, our Directors are of the view that our Company will continue to be operationally independent of the Remaining DYH Group and other companies controlled by our Controlling Shareholders on the basis that:

(i) our Company is not reliant on the trademarks owned by our Controlling Shareholders, the Remaining DYH Group and other companies controlled by our Controlling Shareholders;

(ii) our Company has our own administrative and corporate governance infrastructure (including our own accounting, legal and human resources departments);

(iii) all of the properties used as our principal place of business, office premises, and pachinko halls are owned, or leased from Independent Third Parties, by our Company or our operating subsidiaries;

(iv) our Company has established a set of internal control procedures to facilitate the effective operation of our business; and

(v) our Company does not rely on our Controlling Shareholders for access to suppliers and customers. In particular, we independently manage the sourcing of our pachinko and pachislot machines, as well as prize procurement. Our customers are predominantly pachinko and pachislot players, to whom we have independent access.

Continuing connected transactions between our Group and the Remaining DYH Group

During the Track Record Period, certain members of the Remaining DYH Group entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions entered into by us during the Track

Record Period are disclosed in Note 49 to the accountants' report set out as Appendix I to this Prospectus. Such transactions between our Group and the Remaining DYH Group, if continued upon the Listing, will constitute connected transactions of our Company under the Listing Rules. Details of these continuing connected transactions are set out in the section headed "Connected Transactions".

With the exception of the provision of limited services by the Remaining DYH Group, our business will, upon Listing, continue to be independent of and separate from, our Controlling Shareholders. These limited services, which would constitute continuing connected transactions in respect of our Company, include:

(i) **leasing arrangements with Dynam Investment** — we operate our employees training centre and conference facility centre at certain premises leased from Dynam. We also lease certain premises for use by Dynam as a bicycle parking area available to the customers of a nearby pachinko hall. In the event that such premises are not available to us at a commercially viable rental payment or at all, our Directors are of the view that we would be able to find suitable alternative sites without undue delay or inconvenience;

(ii) **provision of cleaning services by Business Partners and Humap** — Business Partners and Humap perform cleaning services at our pachinko halls and office premises. In the event that such services are not available to us on commercially viable terms or at all, our Directors are of the view that we would be able to find a suitable alternative service provider without undue delay or inconvenience;

(iii) **purchase of general prizes from Humap** — we purchase pastry, coffee and tobacco products from Humap as general prizes awarded to customers. In the event that these products are not available to us on commercially viable terms or at all, our Directors are of the view that we would be able to find a suitable alternative supplier without undue delay or inconvenience; and

(iv) **provision of staff cafeteria services by Humap** — Humap operates the staff cafeteria at our headquarters. This staff cafeteria is separately managed by Humap, and we do not have any profit-sharing arrangements related thereto. Also, Humap provides staff working at our pachinko halls with a discount on the food at the restaurants operated by Humap next to our pachinko halls. Upon the Listing, we expect to continue to engage Humap in operating our these cafeteria services. In the event that such services are not available to us on commercially viable terms or at all, our Directors are of the view that we would be able to find a suitable alternative service provider without undue delay or inconvenience.

See "Connected Transactions" for further details. These transactions between our Group and the Remaining DYH Group are not material in value as far as our Group is concerned. On an aggregated annual basis, the annual caps payable by our Group to the Remaining DYH Group, or vice versa, for the year ended 31 March 2012, did not exceed 4% of our Group's revenue during the same periods by reference to our financial results.

Discontinued connected transactions between our Group and the Remaining DYH Group

During the Track Record Period, the members of the Remaining DYH Group also provided the following services to us, all of which has been prior to the Global Offering:

(i) **purchase of LCD Monitors from Rich-O Korea** — we purchased a number of LCD monitors from Rich-O Korea, a member of the Remaining DYH Group. Since March 2011, all business relationship between our Group and Rich-O Korea ceased as a result of the change of business direction in Rich-O Korea. In the event that we are presented with new business needs that require additional LCD monitors, we expect to secure supplies from Independent Third Parties.

(ii) **human resources recruitment, employee training, and job placement services provided by Trusty Power** — during the Track Record Period, Trusty Power provided human resources recruitment, employee training and job placement services to members of our Group. Such services were carried out by the Relevant Trusty Power Secondees, which were secondees from Dynam. As part of our Reorganisation, the secondment arrangements between Dynam and Trusty Power in respect of the Relevant Trusty Power Secondees were terminated in November 2011 and all Relevant Trusty Power Secondees became the direct employees of Dynam. As a result, we ceased to rely on the Remaining DYH Group in performing our recruitment, training and job placement functionality.

(iii) **employee secondment** — during the Track Record Period, Dynam seconded a number of staff members to the DYH Group for training purposes. In November 2011, all secondment arrangements between our Group and the Remaining DYH Group ceased. We now rely on the Relevant Trusty Power Secondees to provide employee training services to our staff members.

(iv) **procurement of pachinko and pachislot game machines through P Leasing** — during the Track Record Period, we procured our pachinko and pachislot game machines through P Leasing, a member of the Remaining DYH Group. Such business functions were transferred to Dynam and P Trading following its incorporation on 1 July 2010. Hence, we ceased to rely on P Leasing and the Remaining DYH Group in procuring our game machines.

(v) **financing of pachinko and pachislot game machines** — during the Track Record Period, P Leasing provided our Group with financing in acquiring pachinko and pachislot game machines from Independent Third Party suppliers. For the years ended 31 March 2010 and 2011 and 2012, such financing amounted to nil, nil and ¥76 million (equivalent to approximately HK$7 million), respectively. Our Directors confirm that these arrangements were one-off transactions that were discontinued following the transfer of Kanto Daido from P Leasing to our Group as part of our Reorganisation.

(vi) **machine transport services** — during the Track Record Period, P Leasing handled the logistics and transport arrangements of our pachinko and pachislot game machines at our pachinko halls. Since 2010, such functionality was taken up our Distribution Centres, which are controlled by Dynam, our wholly-owned subsidiary. Hence, P Leasing ceased to provide machine transport services to our Group.

(vii) **corporate social responsibility research** — on 1 April 2011, Dynam entered into a service agreement with Business Partners, pursuant to which Business Partners would carry out research on the feasibility of recruiting employees with physical disabilities at our Group and conduct relevant marketing activities and training programs for disabled persons as part of our corporate social responsibility initiatives, in consideration for a monthly service charge of ¥2.5 million. This service agreement is valid for one year and our Group has no intention of renewing it. For the financial year ended 31 March 2012, an aggregate of ¥30 million (equivalent to approximately HK$3 million) has been paid to Business Partners. This related party transaction was discontinued before the Listing upon the completion of the final monthly payment on 31 March 2012.

Our Directors confirm that, except for the continuing connected transactions set out in the section headed "Connected Transactions", all related party transactions will be discontinued upon Listing. Our Directors (including our independent non-executive Directors) consider such continuing connected transactions have been entered into in the ordinary and usual course of our business and have been based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole.

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective associates upon the Listing for the following reasons:

(i) **Strong financial position:** we are the second largest pachinko hall operator in Japan based on the total value of pachinko balls and pachislot tokens rented in 2010 and the largest in terms of number of halls, according to Yano Research. We have been financially sound throughout the Track Record Period. For the years ended 31 March 2010, 2011 and 2012, our Group's turnover was ¥165,461 million, ¥169,637 million and ¥165,078 million (equivalent to approximately HK$15,515 million), respectively, and our profits for the year for the same periods were ¥20,214 million, ¥16,191 million and ¥15,898 million (equivalent to approximately HK$1,497 million), respectively. As at 31 May 2012, our Group had cash and bank balances of approximately ¥19,869 million (equivalent to approximately HK$1,967 million) and available bank revolving facilities of ¥25,000 million (equivalent to approximately HK$2,475 million as calculated using the rate of ¥10.10 to HK$1.00, which was the exchange rate prevailing on 31 May 2012), of which ¥11,000 million (equivalent to approximately HK$1,089 million as calculated using the rate of ¥10.10 to HK$1.00, which was the exchange rate prevailing on 31 May 2012) was utilised and ¥14,000 million (equivalent to approximately HK$1,386 million as calculated using the rate of ¥10.10 to HK$1.00, which was the exchange rate prevailing on 31 May 2012) was available. The available amount of approximately ¥14,000 million (equivalent to approximately HK$1,386 million as calculated using the rate of ¥10.10 to HK$1.00, which was the exchange rate prevailing on 31 May 2012) can be entirely drawn on cash. Our Group's operating profit before working capital changes for the years ended 31 March 2011 and 2012 was approximately ¥42,510 million and ¥42,498 million (equivalent to approximately HK$3,994 million), respectively.

(ii) **Strong credit position**: besides having a strong financial position and cash generative operation as mentioned above, our Group also has a strong credit position on a stand-alone basis. Our Group expects to maintain a strong net cash position after the Listing.

(iii) **A track record of fund raising on a stand-alone basis**: Our Group was able to, and believes that we are able to continue to, secure bank loans from banks and other financial institutions without any credit support or guarantees from our Controlling

Shareholders and the Remaining DYH Group. Upon the completion of the Reorganisation, our Group had strong bank support on a stand-alone basis and this is supported by the fact that, as at 31 March 2012, our Group had unsecured bank borrowings of approximately ¥7,906 million (equivalent to approximately HK$743 million). With regards to the fundamentals of our Group, our Company is confident that after the Listing, we will be able to obtain credit facilities from financial institutions on a stand-alone basis. As such, our Group is satisfied of our capability on carrying on our business financially independently of our Controlling Shareholders and the Remaining DYH Group.

During the Track Record Period, Dynam Data, our wholly-owned subsidiary, provided accounting and payroll administrative services to members of the Remaining DYH Group. In preparation for the Listing, we have segregated our accounting infrastructure from the Remaining DYH Group. Our accounting system is now operated independently by Dynam Data, with software system and hardware facilities completely separated from the Remaining DYH Group. Dynam Data performs treasury functions independently of our Controlling Shareholders.

All the non-trade amounts due to and from our Controlling Shareholders, the Remaining DYH Group, and other companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders, the Remaining DYH Group and other companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released before the Listing Date. As at the Latest Practicable Date, there was no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favour of our Group, or vice versa.

DEED OF NON-COMPETITION

To eliminate and reduce the prospects of conflicts of interests between our Group and the Controlling Shareholders and their respective associates, the Controlling Shareholders and DYH have entered into the Deed of Non-Competition on 18 July 2012 in favour of our Company, pursuant to which each of the Controlling Shareholders and DYH has unconditionally and irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/she/it would not, and would procure that his/her/its associates (except any member of our Group) would not, during the term of the Deed of Non-Competition, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the “Restricted Business”).

Each of our Controlling Shareholders and DYH has, unconditionally and irrevocably, further undertaken to our Company that in the event that it/he/she or its/his/her associate(s) is given/ identifies any opportunities which directly or indirectly competes, or may lead to competition with the Restricted Business, it/he/she will and will procure it/his/her associate(s) to, as soon as practicable inform our Company of such opportunity in writing and provide such information as is available to it/him/her in respect of such opportunity to our Company upon becoming aware of it.

Each of the Controlling Shareholders and DYH has also undertaken to our Company that he/she/it will do following:

a. provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors of its/his/her compliance with the Deed of Non-Competition and the enforcement of the Deed of Non-competition or a negative confirmation, as appropriate;

b. make an annual declaration on compliance with his/her/its undertakings under the Deed of Non-competition in the annual reports of our Company as the independent non-executive Directors think fit and to ensure the disclosure of details of their compliance with and the enforcement of the non-competition undertakings under the Deed of Non-Competition is consistent with the relevant requirements under the Listing Rules; and

c. procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of its/his/her non-competition undertakings under the Deed of Non-Competition either through the annual report, or by way of announcements to the public.

The Deed of Non-Competition does not apply to:

a. any business or activity carried on by P Leasing as at the date of the Deed of Non-Competition;

b. any interests in the shares of any member of our Group since the business of such member is not in competition with our Group. Moreover, none of the Controlling Shareholders currently has any intention to hold shares directly in any member of our Group; or

c. interests in the shares of a company other than our Group which conducts or is engaged in any Restricted Business, provided that they are listed on a recognised stock exchange and either:

    i. any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

    ii. the total number of the shares held by the relevant Controlling Shareholder or DYH and/or his/her/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder or DYH and his/her/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company or otherwise participate or be involved in the management of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder or DYH and his/her/its associates in aggregate.

The obligation of our Controlling Shareholders and DYH under the Deed of Non-Competition will cease to have any effect whatsoever on (a) the date on which the Shares cease to be listed on the Stock Exchange; (b) in respect of a Controlling Shareholder or DYH, the date on which that Controlling Shareholder or DYH and/or its/his/her associates, collectively and individually, ceases to hold an equity interest in our Company; or (c) in respect of a Controlling Shareholder or DYH, the date on which that Controlling Shareholder or DYH and/or its/his/her associates, jointly and severally, ceases to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at the Shareholders' meetings of our Company, whichever occurs first. In other words, if our Company were no longer listed on the Stock Exchange or the relevant Controlling Shareholder came to hold less than 30% of the Shares then in issue, the Deed of Non-Competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and The Codes on Takeovers and Mergers as they apply to the concept of "control".

CORPORATE GOVERNANCE MEASURES

Following the Listing, our Company will continue to enter into connected transactions with the Remaining DYH Group. Our Company will further adopt the following measures to manage the conflicts of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

(i) in preparation for the Listing, our Company has amended our Articles of Incorporation to comply with the Listing Rules. In particular, our Articles of Incorporation provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any Board resolution approving any contract if he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its associates (other than our Company or any member of our Group) shall not vote on any Board resolution regarding any transactions proposed to be entered into between any member of our Group and our Controlling Shareholders or any of its associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;

(ii) we have agreed to appoint Shenyin Wanguo Capital (H.K.) Limited and Piper Jaffray Asia Limited as our joint compliance advisers, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;

(iii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders and DYH;

(iv) each of our Controlling Shareholders and DYH have undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;

(vi) each of our Controlling Shareholders and DYH will make an annual declaration of compliance with the Deed of Non-Competition in the annual report of our Company;

(vii) the management structure of our Group includes an audit committee, a remuneration committee, and a nomination committee, each of which is required by its terms of reference to be alert to potential conflicts of interest and to formulate their proposals accordingly; and

(viii) pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Compliance with the Corporate Governance Code

Our Company complies or intends to comply with the Corporate Governance Code in Appendix 14 to the Listing Rules except for code provision A.2.1, requiring the roles of chairman and chief executive be in different individuals.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Sato currently holds both positions. Throughout our business history of over four decades, Mr. Sato has been the key leadership figure of our Group who has been primarily involved in formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our Executive Officers. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Sato the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "*comply or explain*" principle in our corporate governance report which will be included in our annual reports upon the Listing.

NON-DISPOSAL UNDERTAKINGS

Each of our Controlling Shareholders has given non-disposal undertakings to the Stock Exchange and our Company pursuant to Rule 10.07 of the Listing Rules. For further details, please refer to the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings — Undertaking by the Controlling Shareholders to the Stock Exchange pursuant to the Listing Rules".